

Interurban Transit Partnership

Single Audit Report

Years Ended September 30, 2004 and 2003

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Interurban Transit Partnership		County Kent
Audit Date 9/30/04	Opinion Date 12/9/04	Date Accountant Report Submitted to State 1/10/05		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

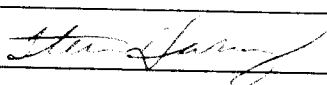
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) BDO Seidman, LLP			
Street Address 99 Monroe Ave. NW Suite 800		City Grand Rapids	State MI
Accountant Signature 		ZIP 49503	Date 1/10/05

Interurban Transit Partnership

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Independent Auditors' Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

We have audited the accompanying basic financial statements of Interurban Transit Partnership (ITP) as of and for the years ended September 30, 2004 and 2003 (as of and for the years ended June 30, 2004 and 2003 for the Pension Trust Funds), which collectively comprise ITP's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ITP's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interurban Transit Partnership at September 30, 2004 and 2003 (June 30, 2004 and 2003 for the Pension Trust Funds), and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued a report dated December 9, 2004 on our consideration of ITP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of ITP taken as a whole. The accompanying combining statements, supplemental schedules and additional information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of ITP. Such information, except for the additional information marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BDO Seidman, LLP

Grand Rapids, Michigan
December 9, 2004

Management's Discussion and Analysis

This section of the Interurban Transit Partnership's (ITP) annual financial report presents our discussion and analysis of ITP's financial performance during the fiscal year that ended September 30, 2004.

Financial Highlights

- Total eligible operating expenses (those expenses eligible for state operating assistance) were flat in 2004, decreasing slightly from \$20.7 million in 2003 to \$20.5 million in 2004. Although 2004 services and staffing levels were similar to that of 2003, ITP did see significant increases in one category of expenses. Services grew by 13.5% in 2004 due in large part to the opening of Rapid Central Station, ITP's new surface transportation center. The most notable service level increase was for security, which nearly doubled in 2004. Casualty and liability costs fell by 33.8% in 2004, a reduction of nearly \$300,000. Fiscal year 2003 was an unusually high cost year for PL/PD coverage due to a retrospective adjustment by ITP's PL/PD provider, the Michigan Transit Pool. This 2003 adjustment was precipitated by a number of large claims system-wide during the Pool's 2002 fiscal year.
- Total net assets grew by more than \$15 million dollars during fiscal year 2004. This is an expansion of 47.2% and is due primarily to the completion of ITP's new surface transportation center (Rapid Central Station). Opening in June of 2004, Rapid Central Station represents a total investment of federal, state and local funds of nearly \$20 million (\$14 million in 2004). In November 2003, taxpayers approved an increase in the millage rate and these additional funds were recognized as income for fiscal year 2004. Those funds are budgeted to be expended in fiscal year 2005. This timing difference resulted in an addition to unrestricted net assets for fiscal year 2004 of slightly more than \$2 million, a change of 30.7%. During the year ITP purchased a new, \$1.4 million fare collection system, which included installation of new fare boxes on all of its linehaul buses. Also during 2004, ITP purchased 13 paratransit vehicles for \$660,000.

Overview of the Financial Statements

The financial section of this annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements, and other supplementary information.

The financial statements provide both long-term and short-term information about ITP's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a

section of other supplementary information that further explains and supports the information in the financial statements.

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to public transit authorities on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the Authority are included in the Statements of Net Assets.

The Statements of Net Assets report the net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the financial health or position of ITP.

Financial Analysis of ITP

Net Assets

Total net assets at September 30, 2004 reached nearly \$48 million, an increase of 47.2% over September 30, 2003 (see Table A-1). Total assets increased 40.0% to \$52.2 million, and total liabilities decreased 10.2% to \$4.2 million.

Table A-1
Net Assets
(in thousands of dollars)

<i>Year ended September 30,</i>	2004	2003	Percentage Change
Current assets	\$ 13,074	\$ 11,535	13.3
Capital assets, net	39,105	25,727	52.0
Total assets	52,179	37,262	40.0
Current liabilities	4,181	4,655	(10.2)
Net assets:			
Invested in capital assets (net)	39,105	25,727	52.0
Restricted for STC project	440	440	-
Unrestricted	8,453	6,440	31.3
Total Net Assets	\$ 47,998	\$ 32,607	47.2

Construction of the new surface transportation center (Rapid Central Station) began during the 2003 fiscal year and was completed during 2004. This project was funded entirely by federal, state and local grants. There is no related debt for this project or for any ITP capital project. At September 30, 2004, total additions to capital assets as a result of the STC project totaled nearly \$20 million, with \$14 million occurring during 2004. Other major capital projects contributing to the growth in capital assets included the purchase of a new fare collection system including new fare boxes for all linehaul buses for \$1.4 million and the purchase of 13 cutaway buses (paratransit vehicles) for \$660,000 and the rehabilitation of the operations and maintenance facility for \$.5 million.

The increase in current assets is primarily due to the increase in the property tax millage and timing of the collection of those taxes.

Changes in Net Assets

The increase in net assets at September 30, 2004 of nearly \$15.4 million increased total net assets to nearly \$48.0 million (see Table A-2).

Table A-2
Change in Net Assets
(in thousands of dollars)

<i>Year ended September 30,</i>	2004	2003	Percentage Change
Operating revenues:			
Passenger fares	\$ 3,589	\$ 3,439	4.4
Advertising	43	65	(33.8)
Total operating revenues	3,632	3,504	3.6
Operating expenses:			
Salaries and benefits	12,306	12,289	1.4
Other operating expenses	11,581	11,561	0.2
Depreciation	3,893	3,394	14.7
Total operating expenses	27,780	27,244	2.0
Operating Loss	(24,148)	(23,740)	1.7
Non-operating revenues:			
Property taxes	9,003	6,886	30.7
Other local	3,111	2,934	6.0
State and federal	10,154	10,526	(3.5)
Total non-operating revenues	22,268	20,346	9.4

<i>Year ended September 30,</i>	2004	2003	Percentage Change
Loss before capital contributions	\$ (1,880)	\$ (3,394)	(44.6)
<u>Capital contributions</u>	<u>17,271</u>	<u>8,512</u>	102.9
Change in net assets	15,391	5,118	200.7
<u>Net Assets, beginning of year</u>	<u>32,607</u>	<u>27,489</u>	18.6
<u>Net Assets, end of year</u>	<u>\$ 47,998</u>	<u>\$ 32,607</u>	47.2

A decrease in rideship was offset by the previous year's midyear fare increases resulting in a 4.4% increase in passenger fares. Total operating revenues rose by only 3.6% as advertising revenues decreased by 33.8%.

Total operating expenses increased by a modest 2.0%, mostly due to a 14.7% increase in depreciation expense. This increase in depreciation expense is in direct relationship with the completion of the new surface transportation center.

Non-operating revenues grew by 9.4% during 2004 largely due to a voter passed increase in dedicated property tax millage, which saw property tax revenues increase 30.7% to just over \$9 million. Other factors contributing to the growth of non-operating revenues include the expansion of services sold to community partners such as Grand Valley State University and the City of Grand Rapids' DASH as well as on the strength of expanded capital and planning projects such as the Major Corridor Study.

Capital contributions rose by just over 100% primarily due to the completion of the surface transportation center, the new fare collections system and the purchase of new paratransit vehicles.

Table A-3
Operating Expenses Before Depreciation
(in thousands of dollars)

<i>Year ended September 30,</i>	2004	2003	Percentage Change
Labor	\$ 7,954	\$ 7,898	0.7
Fringe benefits	4,352	4,391	(0.8)
Services	1,832	1,690	8.4
Materials and supplies	1,903	1,753	8.6
Utilities	308	393	(21.6)
Casualty and liability	691	981	(29.6)

<i>Year ended September 30,</i>	2004	2003	Percentage Change
Taxes	\$ 28	\$ 28	-
Purchased transportation	6,073	5,992	1.4
Miscellaneous	362	366	(0.1)
Leases and rental	384	359	7.0

The 8.4% increase in services is largely due to expansion of capital and planning projects including such projects as the Major Corridor Study as well as increased costs related to the new surface transportation center such as security and janitorial services.

Materials and supplies increased 8.6% due to inflation in key items such as fuel.

PL/PD coverage is provided by the Michigan Transit Pool (Pool), which is an association of transit systems throughout the state of Michigan. The Pool was formed for the purposes of reducing insurance costs through the sharing of risk. During 2003, the Pool issued a retrospective billing due to a high number of significant claims that arose during its 2002 fiscal year. That billing resulted in an unusually high cost for that coverage during fiscal year 2003. The \$300,000 decrease to that expense item for fiscal 2004 represents a return to a more typical year for the Pool.

Capital Assets

As of September 30, 2004, ITP had invested approximately \$62.7 million in capital assets, including land, land improvements, buildings, revenue equipment, machinery and equipment, radio equipment and construction in progress. Net of accumulated depreciation, capital assets at September 30, 2004 totaled approximately \$39.1 million. (See Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$13.4 million or 52.0% over September 30, 2003.

Table A-4
Capital Assets, net of depreciation
(in thousands of dollars)

<i>Year ended September 30,</i>	2004	2003	Percentage Change
Land	\$ 2,593	\$ 2,626	(1.3)
Construction in progress	-	3,939	(100.0)
Land improvements	111	136	(18.4)
Buildings	22,258	5,546	301.3
Revenue equipment	9,179	10,848	(15.4)
Machinery and equipment	4,964	2,632	88.6
Total Net Capital Assets	\$ 39,105	\$ 25,727	52.0

The 301.3% increase in buildings is due to the completion of the new surface transportation center. At September 30, 2003 there was a balance of \$3.9 million in construction in progress. That amount has been transferred to buildings at the completion of the surface transportation project and is reflected in both the balance in the buildings line item as well as in the percent of growth figure referenced previously.

Machinery and equipment grew by over 88% as a result of the purchase of a new fare collections system as well as the construction of a snow melt system which is related to the surface transportation center.

Economic Factors and Next Year's Budget

A significant source of ITP's operating revenues are provided by the state of Michigan. These revenues are based upon total eligible operating expenses, as defined by the Michigan Department of Transportation, and represent a percentage of these eligible expenses.

As the state of Michigan has faced increased difficulty in balancing the State's budget, the funds made available to public transit have remained fairly flat. This, combined with inflation and statewide service expansion, has driven the percentage of reimbursement to transit systems for eligible operating expenses from a high of 50% just a few short years ago down to 35.2% for fiscal year 2004. This reduction has created challenges to balance our budget, forcing us to use over \$700,000 of federal and state capital dollars for eligible (under Federal Transit Authority regulations) operating expenditures.

Budget woes continue at the State level and may continue to have a negative impact up ITP. State operating assistance for the 2005 fiscal year has fallen to 32.4%. For the general election of November 2003, ITP sought a .2 mill increase in its dedicated transit millage to offset lost state revenues as well as provide additional transportation to the community it serves. The result was a 2 to 1 yes vote. This millage increase will generate an estimated additional revenue of approximately \$2 million. ITP's 2005 budget calls for using approximately half of those new funds to expand services provided and the other half to offset losses in funding from the State.

Basic Financial Statements

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2004	2003
Assets		
Current Assets		
Cash, including temporary investments of \$5,106,375 and \$4,040,629 (Note 2)	\$ 7,899,863	\$ 5,466,559
Property taxes receivable, net	1,376,667	679,571
Due from federal government	1,888,278	2,887,087
Due from State of Michigan	850,507	762,667
Due from local governments	-	277,445
Billed receivables	586,296	1,146,036
Materials and supplies inventories	346,130	239,978
Prepaid expenses and deposits	126,952	75,984
Total Current Assets	13,074,693	11,535,327
Capital Assets (Note 3)		
Land and improvements	3,267,306	3,301,227
Buildings	26,360,778	9,029,335
Revenue vehicles	23,408,288	23,616,843
Machinery and equipment	9,444,275	6,411,999
Radio equipment	193,878	223,869
Construction in process	-	3,938,657
	62,674,525	46,521,930
Less accumulated depreciation	23,569,838	20,795,209
Net Capital Assets	39,104,687	25,726,721
Total Assets	52,179,380	37,262,048

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	2004	2003
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,853,159	\$ 2,468,153
Employee compensation and related withholdings	1,113,581	1,081,076
Unredeemed fares	55,088	43,074
Deferred revenues	194,796	288,328
Due to State of Michigan	964,652	774,198
Total Current Liabilities	4,181,276	4,654,829
Net Assets		
Invested in capital assets, net of related debt	39,104,687	25,726,721
Restricted	440,492	440,492
Unrestricted	8,452,925	6,440,006
Total Net Assets	\$47,998,104	\$32,607,219

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Revenues, Expenses and Changes in Net Assets Enterprise Fund

<i>Year ended September 30,</i>	2004	2003
Operating Revenues		
Passenger fares	\$ 3,588,717	\$ 3,439,046
Advertising	43,187	64,733
Total operating revenues	3,631,904	3,503,779
Operating Expenses		
Salaries and fringe benefits	12,306,197	12,288,889
Supplies and other operating expenses	11,581,008	11,561,102
Depreciation	3,892,581	3,393,979
Total operating expenses	27,779,786	27,243,970
Operating loss	(24,147,882)	(23,740,191)
Nonoperating Revenues		
State and federal	10,153,642	10,525,963
Property taxes	9,003,096	6,885,999
Other local	3,111,481	2,934,250
Total nonoperating revenues	22,268,219	20,346,212
Loss before capital contributions	(1,879,663)	(3,393,979)
Capital contributions	17,270,548	8,512,174
Change in net assets	15,390,885	5,118,195
Net Assets, beginning of year	32,607,219	27,489,024
Net Assets, end of year	\$ 47,998,104	\$ 32,607,219

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2004	2003
Cash Flows From (for) Operating Activities		
Receipts from customers	\$ 3,643,918	\$ 3,511,580
Payments to suppliers	(16,164,265)	(13,855,563)
Payments to employees	(8,903,152)	(8,698,510)
Net cash flows for operating activities	(21,423,499)	(19,042,493)
Cash Flows From Noncapital Financing Activities		
Federal grants received	2,254,352	1,508,988
State grants received	7,773,109	8,548,760
Local government assistance received	3,417,735	2,579,391
Property taxes	8,346,692	7,527,380
Net cash from noncapital financing activities	21,791,888	20,164,519
Cash Flows From Capital and Related Financing Activities		
Federal contributed capital	14,521,244	5,008,065
State contributed capital	3,677,122	1,406,965
Local contributed capital	1,019,000	12,320
Purchase of capital assets	(17,270,548)	(8,512,174)
Proceeds from sale of fixed assets	45,914	68,075
Net cash from (for) capital and related financing activities	1,992,732	(2,016,749)
Cash Flows From Investing Activity		
Interest received on investments	72,183	64,588
Net Increase (Decrease) in Cash	2,433,304	(830,135)
Cash, beginning of year	5,466,559	6,296,694
Cash, end of year	\$ 7,899,863	\$ 5,466,559

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2004	2003
Reconciliation of Operating Loss to Net Cash for		
Operating Activities		
Operating loss	\$ (24,147,882)	\$ (23,740,191)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation	3,892,581	3,393,979
Other income	22,214	10,253
Changes in assets and liabilities:		
Increase in billed receivables	(559,740)	(69,388)
Decrease (increase) in inventories	(106,152)	34,618
Decrease (increase) in prepaid expenses and deposits	(50,967)	183,985
Increase (decrease) in accounts payable	(614,994)	1,151,051
Increase in accrued payroll	32,505	110,871
Increase in unredeemed fares	12,014	7,081
Increase (decrease) in other liabilities	96,922	(124,752)
Net Cash Flows for Operating Activities	\$ (21,423,499)	\$ (19,042,493)

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Fiduciary Net Assets

<i>June 30,</i>	Pension Trust Funds	
	2004	2003
Assets		
Cash and short-term investments (Note 2)	\$ 257,396	\$ 56,829
Interest and dividends receivable	9,283	28,621
Investments, at fair value (Note 2):		
U.S. government obligations	786,702	753,149
Mutual funds	3,675,956	3,505,115
Total investments	4,462,658	4,258,264
Net Assets Held in Trust for Pension Benefits	\$4,729,337	\$4,343,714

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Changes in Fiduciary Net Assets

	<u>Pension Trust Funds</u>	
<i>Year ended June 30,</i>	2004	2003
Additions		
Employer contributions	\$ 589,427	\$ 467,313
Investment income:		
Net appreciation (depreciation)	434,415	(51,295)
Interest	38,672	38,637
Dividends	193,779	80,022
Other	401	-
Total investment income	667,267	67,364
Total additions	1,256,694	534,677
Deductions		
Benefits	831,729	326,201
Administrative expense	39,342	30,428
Total deductions	871,071	356,629
Change in net assets	385,623	178,048
Net Assets Held in Trust for Pension		
Benefits, beginning of year	4,343,714	4,165,666
Net Assets Held in Trust for Pension		
Benefits, end of year	\$4,729,337	\$4,343,714

See accompanying notes to financial statements.

Interurban Transit Partnership

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

The Interurban Transit Partnership (ITP) was created in 2000 pursuant to the provisions of the Public Transit Authority Act of 1986, as amended. The six member municipalities of East Grand Rapids, Grand Rapids, Grandville, Kentwood, Walker and Wyoming each levy .95 mills to fund operations. ITP replaced the Grand Rapids Area Transit Authority.

ITP provides public passenger transportation to the general public in the greater Grand Rapids area. These financial statements include the Enterprise Fund and the Pension Trust Funds of ITP.

Measurement Focus and Basis of Accounting

The Enterprise Fund and Pension Trust Funds' financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Grants are recognized as revenue as soon as all eligibility requirements have been met.

The Enterprise Fund follows applicable accounting and financial reporting standards of the Financial Accounting Standards Board issued through November 30, 1989, unless these pronouncements conflict with Governmental Accounting Standards Board pronouncements.

Cash and Cash Equivalents

ITP considers cash on hand, demand deposits and short-term investments in Kent County's investment pool and governmental money market funds with local financial institutions with maturities of three months or less when purchased to be cash for the statements of cash flows.

Materials and Supplies Inventories

Materials and supplies inventories are stated at the lower of average cost or market.

Interurban Transit Partnership

Notes to Financial Statements

Investments

Investments are recorded at fair value.

Capital Assets

Property, building and equipment are recorded at cost. Depreciation is computed on the straight-line method based on the estimated useful lives of the related assets. Assets having a useful life in excess of 3 years and whose costs exceed \$1,000 are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Contributions of funds from federal, state or local sources for the purpose of purchasing property, plant and equipment are recorded as contributions when received.

Estimated useful lives of the related assets by asset category are as follows:

	Years
Land improvements	10-30
Buildings	20-40
Revenue vehicles	3-12
Machinery and equipment	3-10
Radio equipment	3-10

Deferred Revenues

Deferred revenues arise when resources are received by ITP before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when ITP has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheets and revenue is recognized.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or

Interurban Transit Partnership

Notes to Financial Statements

through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Compensated Absences

ITP employees are granted vacation leave in varying amounts based on length of service. Operators and maintenance employees may not accumulate vacation leave, but administrative employees may carry over unused vacation time. Upon termination, employees are paid for unused vacation at their current rates.

Sick leave is accumulated at the rate of 12 days per year for full-time administrative employees. There is no limit to the amount of unused sick leave an employee may accumulate. An employee retiring or resigning with age plus years of service equal to or exceeding 70 will receive 100% of accumulated sick leave at current base pay rate. Employees with age plus service less than 70 will receive 50% of total hours at current base pay rate. Compensated absences are recorded as an expense and liability in the Enterprise Fund.

Property Taxes

Property taxes are levied as an enforceable lien on property as of December 1. ITP's taxes are billed on July 1 and are due without penalty on or before September 14. Real property taxes not collected as of March 1 are turned over to Kent County for collection. The County then advances ITP 100% of the delinquent real property taxes. Collection of the delinquent personal property taxes remains the responsibility of the local communities.

Property taxes are recognized as revenue when levied, with proper allowances made for estimated uncollectible amounts.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interurban Transit Partnership

Notes to Financial Statements

2. Cash and Investments

Cash

At September 30, 2004 and 2003, the carrying amounts of the Enterprise Fund's deposits were \$2,772,562 and \$1,418,562, and the bank balances were \$3,130,019 and \$1,826,408, respectively. Of the bank balances, \$200,000 was insured by the Federal Deposit Insurance Corporation in both 2004 and 2003.

At June 30, 2004 and 2003, the carrying amounts and bank balances of the Pension Trust Funds' deposits were \$257,396 and \$56,829, of which \$189,337 and \$56,829, respectively, were insured.

Investments

Statutes authorize ITP to invest in obligations of the United States, agencies and instrumentalities of the United States, commercial paper rated at the time of purchase within the two highest classifications and maturing not more than 180 days after purchase, bankers' acceptances of U.S. banks, United States government or federal agency obligation repurchase agreements and mutual funds composed of the types of investment vehicles named previously.

ITP invests excess funds in a pooled investment fund administered by the County of Kent, and four pooled funds administered by local financial institutions. Investments consist of U.S. Treasury securities, certificates of deposit and commercial paper and adhere to state statutes. The investments are held in street name. At September 30, 2004 and 2003, the carrying amounts and market value were \$5,106,375 and \$4,040,629, respectively.

The Pension Trust Funds held the following investments, which are categorized as uninsured and unregistered, for which the securities are held by the bank's trust department:

<i>June 30,</i>	2004	2003
U.S. government obligations	\$ 768,702	\$ 753,149

The Pension Trust Funds also held mutual funds in the amount of \$3,675,956 and \$3,505,115 at June 30, 2004 and 2003, respectively, which are not categorized.

Interurban Transit Partnership

Notes to Financial Statements

3. Capital Assets

Capital asset activity for the year ended September 30, 2004 is as follows:

	Balance October 1, 2003	Additions	Transfers/ Deletions	Balance September 30, 2004
Assets				
Capital assets not being depreciated:				
Land	\$ 2,625,895	\$ -	\$ 32,920	\$ 2,592,975
Construction in process	3,938,657	-	3,938,657	-
Capital assets being depreciated:				
Land improvements	675,332	-	1,001	674,331
Buildings and improvements	9,029,335	17,331,443	-	26,360,778
Revenue vehicles	23,616,843	660,384	868,939	23,408,288
Machinery and equipment	6,635,868	3,251,299	249,014	9,638,153
Total assets	46,521,930	21,243,126	5,090,531	62,674,525
Accumulated depreciation				
Land improvements	538,894	24,994	-	563,888
Buildings and improvements	3,483,572	619,544	-	4,103,116
Revenue vehicles	12,768,468	2,329,646	869,048	14,229,066
Machinery and equipment	4,004,275	918,397	248,904	4,673,768
Total accumulated depreciation	20,795,209	3,892,581	1,117,952	23,569,838
Net Capital Assets	\$ 25,726,721	\$ 17,350,545	\$ 3,972,579	\$ 39,104,687

4. Pension and Retirement Plans

Defined Benefit - Administrative Plan

Plan Description

ITP has a non-contributory defined benefit pension plan for its administrative employees. Administrative employees are eligible to participate when they have attained 21 years of age and completed one full year of service. One full year of service is defined as at least 1,000 hours of service in the 12 consecutive month period beginning on the

Interurban Transit Partnership

Notes to Financial Statements

employee's hire date. The plan provides for vesting based on years of credited service, ranging from 20% at three years to 100% at five or more years. The pension benefit, payable monthly for life to the retired employee, equals 50% of the employee's average monthly compensation, adjusted for the employee's years of credited service. Full benefits are received if the employee retires at age 65 and is fully vested. This plan is now closed to new participants.

The plan issues a separate financial report which may be obtained by contacting ITP.

As of June 30, 2004, the plan's membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	32
Current active members	21
Total	53

Significant Accounting Policies

Basis of Accounting

The financial statements of the Administrative Plan have been prepared on the accrual basis. The employer contributions are recognized when due, and a formal commitment to provide the contribution has been made. Benefits are recognized when due and payable, according to the terms of the plan.

Method Used to Value Investments

Investments are reported at fair value.

Contributions and Reserves

The Interurban Transit Partnership Pension Plan was established and is being funded under the authority of ITP.

Interurban Transit Partnership

Notes to Financial Statements

The plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

The plan has no legally required reserves.

Concentrations

No investments constituted 5% or more of plan assets.

Annual Pension Cost and Net Pension Obligation

ITP's annual pension cost was \$250,514 and \$269,896, and the contribution totaled \$347,226 and \$231,700 for the years ended September 30, 2004 and 2003, respectively.

Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$231,700	102.0%	\$ -
2003	269,896	85.9	38,196
2004	250,514	138.6	-

Interurban Transit Partnership

Notes to Financial Statements

Schedule of Funding Progress

<i>Actuarial valuation date</i>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)
July 1, 1999	\$1,391,647	\$2,094,065	\$ 702,418	66.46%
July 1, 2000	1,520,703	2,406,410	885,707	63.19
July 1, 2001	1,758,786	2,661,034	902,248	66.09
July 1, 2002	1,718,491	3,003,002	1,284,511	57.23
July 1, 2003	1,754,115	3,323,381	1,569,266	52.78
July 1, 2004	1,689,566	3,136,794	1,447,228	53.86

The information presented in the three-year trend information and schedule of funding progress was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest valuation date follows:

Valuation date	July 1, 2004
Actuarial cost method	Entry age normal
Amortization method	Level percentage of compensation
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Retirement age	Age 65
Investment rate of return	8%
Mortality table:	
Pre-retirement	None
Post-retirement	1983 Group Annuity Mortality Table
Turnover rates	None
Salary scale	3%
Cost of living adjustments	None

Interurban Transit Partnership

Notes to Financial Statements

Defined Benefit - Non-Administrative Plan

Plan Description

ITP has a non-contributory defined benefit pension plan for its non-administrative employees (drivers and mechanics). Non-administrative employees are eligible to participate upon completion of 60 days continuous service. Accumulated benefits attributable to ITP contributions are fully vested after five years of service. Termination of employment prior to completion of five years of service results in the forfeiture of the accumulated benefits attributable to ITP contributions. The pension benefit, payable monthly for life to the retired employee, equals a minimum of \$230.45, increased by a function of the employee's years of credited service or \$33 per month per year of service, whichever is greater.

The plan issues a separate financial report which may be obtained by contacting ITP.

As of June 30, 2004, the Plan's membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	80
Transferred to non-union	9
Active plan members	175
Total	264

Significant Accounting Policies

Basis of Accounting

The financial statements of the Non-Administrative Plan have been prepared on the accrual basis. The employer contributions are recognized when due, and a formal commitment to provide the contribution has been made. Benefits are recognized when due and payable, according to the terms of the plan.

Interurban Transit Partnership

Notes to Financial Statements

Method Used to Value Investments

Investments are reported at fair value.

Contributions and Reserves

ITP's Amalgamated Transit Union Pension Plan was established and is being funded under the authority of ITP and under agreements with the union representing employees covered by the plan.

The plan's funding policy is that the employer will contribute to the plan based on the current negotiated rate of \$.65 for each hour of service completed during the preceding month. ITP is required by the terms of the plan to contribute based on the negotiated rate.

The plan has no legally required reserves.

Concentrations

No investments constituted 5% or more of plan assets.

Annual Pension Cost and Net Pension Obligation

ITP's annual pension cost and net pension obligation to the plan were as follows:

<i>Year ended June 30.</i>	2004
Annual required contribution	\$ 222,076
Interest on net pension obligation	2,006
Adjustment to annual required contribution	(2,104)
Annual pension cost	221,978
Contributions made	242,201
Decrease in net pension obligation	(20,223)
Net pension obligation, beginning of year	25,074
Net Pension Obligation, end of year	\$ 4,851

Interurban Transit Partnership

Notes to Financial Statements

Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$206,035	126.1%	\$ 37,729
2003	222,958	105.7	25,074
2004	221,978	109.1	4,851

Schedule of Funding Progress

<i>Actuarial valuation date</i>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)
July 1, 1999	\$2,105,030	\$2,420,912	\$315,882	86.95%
July 1, 2000	2,376,419	2,667,945	291,526	89.07
July 1, 2001	2,596,351	3,052,022	455,671	85.07
July 1, 2002	2,820,512	3,386,771	566,259	83.30
July 1, 2003	3,015,488	3,831,281	815,793	78.71
July 1, 2004	3,250,217	4,092,555	842,338	79.42

The information presented in the three-year trend information and schedule of funding progress was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest valuation date follows:

Valuation date	July 1, 2004
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	40 years

Interurban Transit Partnership

Notes to Financial Statements

Asset valuation method	Average of expected assets and market value of assets, but not less than 80%, nor more than 120% of market value
Actuarial assumptions:	
Retirement age	Age 65
Investment rate of return	8%
Mortality table	1983 GAM (sex distinct) set forward three years
Turnover rates	Crocker-Sarason-Straight T-5
Cost-of-living adjustments	None

Defined Contribution - Administrative Plan

ITP has a non-contributory defined contribution benefit plan for its administrative employees. The plan was established July 1, 2000. Administrative employees are eligible to participate on the first day of the month following completion of six months of service, provided that the employee has at least 500 hours of service. The plan provides 100% vesting after five years of service. The contribution is made monthly at 7.5 % of compensation paid during the month. ITP made contributions of \$94,894 and \$81,201 for the plan years ending June 30, 2004 and 2003, respectively.

5. Risk Management

ITP is exposed to various risks of loss related to torts, theft of and damage to assets, errors and omissions, injuries to employees and natural disasters. ITP carries commercial insurance for most risks of loss, including employee life, health and accident insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Interurban Transit Partnership

Notes to Financial Statements

ITP participates in a public entity risk pool for property and liability coverage. ITP pays an annual premium to the pool, which is adjusted retroactively to reflect the actual cost. Each member is responsible for all losses falling within its selected retention level, plus its share of pool losses and administrative expenses, less its share of investment income. The agreement for formation of the Michigan Transit Pool provides that the pool will be self-sustaining through member premiums and will provide property and liability coverage to its members for the first \$2,000,000 per occurrence. The Pool has purchased excess insurance for an additional \$2,000,000 per occurrence.

The Michigan Transit Pool has published its own financial report for the year ended November 30, 2004, which can be obtained from the Michigan Transit Pool.

ITP carries catastrophic insurance to cover direct damage to property.

6. Description of Grant Funding

The following is a description of ITP's major grant funding:

Operations:

ITP's general operations are funded as follows:

The Michigan Department of Transportation (MDOT) authorized funding for fiscal 2004 and 2003 of up to 50% of eligible expenses, based upon actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$10,226,004 and \$10,361,411 in 2004 and 2003, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 35.20% and 36.69% totaled \$7,226,276 and \$7,602,895 in 2004 and 2003, respectively.

Interurban Transit Partnership

Notes to Financial Statements

Capital Acquisitions:

Funds used to purchase property, building and equipment were advanced to ITP pursuant to grants provided by agencies of the state and federal governments. Funding is generally provided by the Federal Transit Authority (FTA) (80%) and by the MDOT. Pursuant to the terms of those grants and applicable state and federal law, ITP is required to remit to the state and federal governments substantially all of the amounts it may receive as a result of the sale or other disposal of the property which has been purchased with monies provided by state and federal grants.

Combining Statements and Supplemental Schedules

Interurban Transit Partnership

Combining Statement of Plan Net Assets Pension Trust Funds

<i>June 30, 2004</i>	Administrative Plan	Non- Administrative Plan	Total
Assets			
Cash and short-term investments	\$ 168,059	\$ 89,337	\$ 257,396
Interest and dividends receivable	422	8,861	9,283
Investments, at fair value:			
U.S. government obligations	-	786,702	786,702
Mutual funds	1,521,085	2,154,871	3,675,956
Total investments	1,521,085	2,941,573	4,462,658
Net Assets Held in Trust for Pension Benefits	\$1,689,566	\$3,039,771	\$4,729,337

Interurban Transit Partnership

Combining Statement of Changes in Plan Net Assets Pension Trust Funds

<i>Year ended June 30, 2004</i>	Administrative Plan	Non- Administrative Plan	Total
Additions			
Employer contributions	\$ 347,226	\$ 242,201	\$ 589,427
Investment income:			
Net appreciation	238,609	195,806	434,415
Interest	1,462	37,210	38,672
Dividends	28,944	164,835	193,779
Other	401	-	401
Total investment income	269,416	397,851	667,267
Total additions	616,642	640,052	1,256,694
Deductions			
Benefits	665,993	165,736	831,729
Administrative expense	15,198	24,144	39,342
Total deductions	681,191	189,880	871,071
Change in net assets	(64,549)	450,172	385,623
Net Assets Held in Trust for Pension			
Benefits, beginning of year	1,754,115	2,589,599	4,343,714
Net Assets Held in Trust for Pension			
Benefits, end of year	\$1,689,566	\$3,039,771	\$4,729,337

	General	
<i>Year ended September 30, 2004</i>	Operations	Maintenance
Labor		
Operators' salaries and wages	\$4,907,000	\$ -
Other salaries and wages	619,322	1,142,481
Dispatchers' salaries and wages	172,205	-
Total labor	5,698,527	1,142,481
Fringe Benefits	3,118,443	625,207
Services	133,654	542,386
Materials and Supplies Consumed		
Fuel and lubricants	923,135	-
Tires and tubes	-	7,149
Other materials and supplies	13,016	632,356
Total materials and supplies consumed	936,151	639,505
Utilities		
Other	-	-
Electronic communications	-	-
Total utilities	-	-
Casualty and Liability Costs		
Premiums for public liability and property damage insurance	-	-
Other insurance	-	-
Total casualty and liability costs	-	-

Interurban Transit Partnership

Schedule of Operating Expenses by Function

Operations				
Administration	Total	Grants	Total	System
\$ -	\$ 4,907,000	\$ -	\$ 4,907,000	
954,326	2,716,129	158,943	2,875,072	
-	172,205	-	172,205	
954,326	7,795,334	158,943	7,954,277	
522,242	4,265,892	86,028	4,351,920	
292,830	968,870	862,852	1,831,722	
-	923,135	-	923,135	
-	7,149	65,592	72,741	
92,379	737,751	168,971	906,722	
92,379	1,668,035	234,563	1,902,598	
254,545	254,545	-	254,545	
53,612	53,612	-	53,612	
308,157	308,157	-	308,157	
580,947	580,947	-	580,947	
110,453	110,453	-	110,453	
691,400	691,400	-	691,400	

	<u>General</u>	
<i>Year ended September 30, 2004</i>	Operations	Maintenance
Taxes	\$ -	\$ -
Purchased Transportation	5,237,404	-
Miscellaneous		
Travel and meetings	7,256	6,212
Advertising/promotion media	-	-
Other miscellaneous	5,023	20,733
Total miscellaneous	12,279	26,945
Leases and Rentals	-	-
Depreciation	-	-
Grant Funded Costs	(740,000)	-
Total Expenses	\$ 14,396,458	\$ 2,976,524

Interurban Transit Partnership

Schedule of Operating Expenses by Function

<u>Operations</u>				
Administration	Total	Grants	Total System	
\$ 27,658	\$ 27,658	\$ -	\$ 27,658	
-	5,237,404	835,976	6,073,380	
32,739	46,207	25,968	72,175	
173,086	173,086	11,132	184,218	
75,115	100,871	4,789	105,660	
280,940	320,164	41,889	362,053	
7,284	7,284	376,756	384,040	
3,892,581	3,892,581	-	3,892,581	
-	(740,000)	740,000	-	
\$7,069,797	\$24,442,779	\$3,337,007	\$27,779,786	

Interurban Transit Partnership

Nonoperating Revenues - Local

<i>Year ended September 30,</i>	<i>2004</i>
Local Revenue	
Property taxes	\$ 9,003,096
Byron Township	56,032
Gaines Township	44,096
Alpine Township	74,424
Cascade Township	95,818
Ada Township	8,677
DASH	567,431
Grand Valley State University	682,474
Community Mental Health	1,313,963
Other local grants	128,255
Total local revenue	11,974,266
Other Income	
Gain on sale of property	45,914
Interest income	72,183
Miscellaneous	22,214
Total other income	140,311
Total Nonoperating Revenues – Local	\$ 12,114,577

Interurban Transit Partnership

Nonoperating Revenues - State and Federal

<i>Year ended September 30.</i>	2004
State of Michigan Grants	
General operating assistance	\$ 6,909,901
Capital assistance	335,109
Planning and miscellaneous project assistance	93,267
Specialized services	429,974
Project Zero	80,521
Rideshare	34,170
Total State of Michigan grants	7,882,942
Federal Government Grants	
Capital assistance	1,340,435
Planning and miscellaneous project assistance	746,141
Rideshare	58,181
Project Zero	125,943
Total federal government grants	2,270,700
Total Nonoperating Revenues – State and Federal	\$10,153,642

			320
			MI-90-X381
		001	02-0049-Z5
		General	FY 02
<i>Year ended September 30, 2004</i>	Total	Operations	Section 5307
Expenses			
Labor	\$ 7,954,277	\$ 7,795,334	\$ 601
Fringe benefits	4,351,920	4,265,892	146
Services	1,831,721	968,870	10,626
Materials and supplies consumed	1,902,598	1,668,035	95,799
Utilities	308,157	308,157	-
Casualty and liability costs	691,400	691,400	-
Taxes	27,658	27,658	-
Purchased transportation	6,073,380	5,237,404	-
Miscellaneous	362,054	320,164	5,089
Leases and rental	384,040	7,284	-
Depreciation	3,892,581	3,892,581	-
Grant funded costs	-	(740,000)	-
Total Expenses	\$ 27,779,786	\$ 24,442,779	\$ 112,261

Interurban Transit Partnership

Schedule of Expenses by Grant

	340	360		
	MI-90-X399	MI-90-K430		
330	02-0049-Z10	02-0049-Z18	721	722
MI-03-X184	FY 03	FY 04	03-0033	04-0011
02-0049-Z4	Section 5307	Section 5307	Rideshare	Rideshare
Corridor Study				
\$ -	\$ 74,789	\$ 15,282	\$ 1,100	\$ 50,196
-	42,189	6,722	550	27,504
441,114	249,897	127,675	-	-
-	58,041	74,007	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	93,750	131,250	-	-
-	14,120	6,649	-	13,000
-	132,425	244,331	-	-
-	-	-	-	-
-	-	740,000	-	-
\$ 441,114	\$ 665,211	\$ 1,345,916	\$ 1,650	\$ 90,700

	763 02-0049-Z6 Project Zero	764 02-0049-213 Project Zero
<i>Year ended September 30, 2004</i>		
Expenses		
Labor	\$ 3,183	\$ 13,792
Fringe benefits	1,591	6,896
Services	-	-
Materials and supplies consumed	-	-
Utilities	-	-
Casualty and liability costs	-	-
Taxes	-	-
Purchased transportation	-	181,002
Miscellaneous	-	-
Leases and rental	-	-
Depreciation	-	-
Grant funded costs	-	-
Total Expenses	\$ 4,774	\$ 201,690

Interurban Transit Partnership

Schedule of Expenses by Grant

777 01-0106 Specialized Services	780 02-0049-212 Specialized Services	980 MI-90-X353 01-0946 FY 01 Section 5307
\$ -	\$ -	\$ -
-	-	430
-	-	33,539
-	-	6,716
-	-	-
-	-	-
1,123	428,851	-
-	-	3,032
-	-	-
-	-	-
-	-	-
\$ 1,123	\$ 428,851	\$ 43,717

Interurban Transit Partnership

Section 5311 Expenses

<i>Year ended September 30.</i>	2004
Administration	\$ 12,934
Supplies and printing	43
Purchased transportation	109,216
Other expenses	205
	<hr/>
	\$122,398

<i>Year ended September 30, 2004</i>	Sources			
	Local	State of Michigan	Federal Government	Total
Name of Grant/Grantee Number/ Grantor Number				
FY 02 Capital Project 320 MI-90-X381 02-0049-Z5	\$ -	\$ 396,699	\$ 1,586,796	\$ 1,983,495
FY 03 Capital Project 340 MI-90-X399 02-0049-Z10	-	230,859	923,437	1,154,296
FY04 Capital Project 360 MI-90-X430 02-0049-Z18	-	254,495	1,017,982	1,272,477
STC Earmark 845 MI-03-0154 99-0531	-	1,265,921	5,063,683	6,329,604
FY 03 Capital Project 846 02-0049-Z9	-	178,554	714,217	892,771
FY04 Capital Project 847 MI-90-X430 02-0049-Z11	-	474,956	1,899,822	2,374,778
FY 03 Capital Project 848	741,555	-	-	741,555
FY 00 Capital Project 940 MI-90-X342 00-0888	-	-	-	-
FY 00 Section 5309 951 MI-03-0169 00-0454	-	10,587	42,350	52,937
FY 03 Capital Project 952 MI-03-0176 01-0522	-	177,821	711,282	889,103
FY 04 Capital Project 953 MI-03-0201 2-0049-Z14	-	122,960	491,839	614,799
FY 01 Capital Project 980 MI-90-0353 02-0946	-	192,947	771,786	964,733
	\$ 741,555	\$ 3,305,799	\$ 13,223,194	\$ 17,270,548

Interurban Transit Partnership

Sources and Applications of Capital Assistance

Applications					
Land and Improvements	Building	Revenue Equipment	Machinery and Equipment	Construction in Process	Total
\$ -	\$ 274,614	\$ 40,000	\$ 1,831,828	\$ (162,947)	\$ 1,983,495
-	147,190	620,384	386,722	-	1,154,296
-	1,170,855	-	101,622	-	1,272,477
(33,921)	6,595,551	-	57,646	(289,672)	6,329,604
-	892,771	-	-	-	892,771
-	2,366,509	-	8,269	-	2,374,778
-	878,030	-	-	(136,475)	741,555
-	-	-	-	-	-
-	1,742,468	-	-	(1,689,531)	52,937
-	2,549,135	-	-	(1,660,032)	889,103
-	614,799	-	-	-	614,799
-	99,521	-	865,212	-	964,733
\$ (33,921)	\$ 17,331,443	\$ 660,384	\$ 3,251,299	\$ (3,938,657)	\$ 17,270,548

Interurban Transit Partnership

Calculation of State Operating Assistance

<i>Year ended September 30, 2004</i>	State Operating Assistance Urban	State Operating Assistance Non-Urban	Total
General Operating Expenses	\$ 24,320,381	\$ 122,398	\$ 24,442,779
Less Ineligible Expenses			
Depreciation expense	3,892,581	-	3,892,581
APTA and MPTA dues	3,877	-	3,877
Other	28,360	-	28,360
	3,924,818	-	3,924,818
Eligible Operating Expenses	\$ 20,395,563	\$ 122,398	\$ 20,517,961
Maximum State Operating Assistance (50/60%)	\$ 10,197,781	\$ 28,223	\$ 10,226,004
State Operating Assistance Accrual (35.20/38.43%)	\$ 7,179,238	\$ 47,038	\$ 7,226,276

<i>Federal Grantor/Program Title</i>	Federal CFDA Number	Federal Grantor Number	Grantee Number
Federal Transit Authority			
FTA Capital and Planning	20.507	MI-90-X381	320
FTA Capital Assistance	20.507	MI-90-X399	340
FTA Capital and Planning	20.507	MI-90-X430	360
FTA Capital Assistance	20.507	MI-90-0241	535
FTA Capital Assistance	20.507	MI-90-X270	570
FTA Planning Assistance	20.507	MI-90-2270	670
FTA Capital Assistance	20.507	MI-90-0125	860
FTA Capital Assistance	20.507	MI-90-0138	870
FTA Capital Assistance	20.507	MI-90-0152	890
FTA Capital and Planning	20.507	MI-90-X315	910
FTA Capital and Planning	20.507	MI-90-X342	940
FTA Capital and Planning	20.507	MI-90-X353	980
Total Capital and Planning Assistance - Section 5307			
FTA Capital Assistance	20.500	MI-03-0184	330
FTA Capital Assistance	20.500	MI-03-0154	845
FTA Capital Assistance	20.500	-	846
FTA Capital Assistance	20.500	-	847
FTA Capital Assistance	20.500	MI-03-0169	951
FTA Capital Assistance	20.500	MI-03-0176	952
FTA Capital Assistance	20.500	MI-03-0201	953
Total Capital Assistance - Section 5309			

Interurban Transit Partnership

Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue 10/1/03	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/04
\$ 977,212	\$ 2,563,752	\$ 1,676,606	\$ 90,066
499,405	1,874,314	1,455,605	80,696
-	1,403,627	2,094,714	691,087
(10,206)	-	-	(10,206)
-	-	-	-
(887)	(887)	-	-
(38,505)	-	-	(38,505)
(15,977)	-	-	(15,977)
(46,665)	-	-	(46,665)
29,878	-	-	29,878
33,836	33,836	-	-
150,363	879,047	806,759	78,075
1,578,454	6,753,689	6,033,684	858,449
112,840	464,430	352,891	1,301
(31,043)	5,032,641	5,063,684	-
2,917	368,256	714,217	348,878
-	1,899,222	1,899,822	600
1,131,371	1,166,309	42,350	7,412
226,968	916,260	711,283	21,991
-	-	491,839	491,839
1,443,053	9,847,118	9,276,086	872,021

<i>Federal Grantor/Program Title</i>	Federal CFDA Number	Federal Grantor Number	Grantee Number
FTA Non-Urbanized Formula Grants	20.509	-	721
FTA Non-Urbanized Formula Grants	20.509	-	722
Total Non-Urbanized Formula Grants			
Total Federal Transit Authority			
U.S. Department of Health and Human Services:			
Passed through ACSET/FIA:			
WorkFirst Project Zero	93.558	-	763
WorkFirst/Project Zero	93.558	-	764
Total U.S. Department of Health and Human Services			
Total Federal Financial Assistance			

Interurban Transit Partnership

Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue 10/1/03	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/04
\$ 20,495	\$ 21,534	\$ 1,039	\$ -
-	36,729	57,141	20,412
20,495	58,263	58,180	20,412
3,042,002	16,659,070	15,367,950	1,750,882
10,816	18,649	2,730	(5,103)
-	96,989	123,031	26,042
10,816	115,638	125,761	20,939
\$ 3,052,818	\$ 16,774,708	\$ 15,493,711	\$ 1,771,821

<i>Program</i>	State Grantor Number	Grantee Number
Section 5307	2002-0049-Z5	320
Major Corridor Study	2002-0049-Z4	330
Section 5307	2002-0049-Z10	340
Section 5307	2002-0049-Z18	360
Capital Project	95-1614	515
Technical Study	96-0782	640
Planning	97-0574	670
Westrain	2002-0102	713
Rideshare	2002-0112	720
Rideshare	2003-0033	721
Rideshare	2004-0011	722
ProjectZero	2002-0049-Z6	763
Project Zero	2002-0049-213	764
Specialized Services	2002-0106	777
Specialized Services	2002-0049-Z7	779
Specialized Services	2002-049-212	780
Transportation Center	99-0531	845
Intercity Funds - STC	2002-0049-Z9	846
Intercity Funds - STC	2002-0049-211	847
Section 5307	99-0728	910
Capital Project	2000-0888	940
Transportation Center	2000-0454	951
STC	2001-0522	952
STC	2002-0049-Z14	953
Capital Project	2002-0946	980

Total State Assistance

* Prior year amounts written off.

Interurban Transit Partnership

Schedule of Expenditures of State Awards

Accrued (Deferred) Revenue 10/1/03	Adjustments*	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/04
\$ 326,238	\$ -	\$ 687,868	\$ 418,026	\$ 56,396
14,105	-	58,054	44,112	163
137,287	-	450,596	336,709	23,400
-	-	2,230	505,818	503,588
(986)	-	-	-	(986)
(4,937)	-	-	-	(4,937)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
12,037	-	12,647	610	-
-	-	21,571	33,559	11,988
6,915	-	12,222	2,044	(3,263)
-	-	62,010	78,660	16,650
(1,123)	-	-	1,123	-
140,202	-	140,202	-	-
-	-	320,668	428,852	108,184
(8,309)	-	1,245,192	1,265,921	12,420
729	-	92,064	178,555	87,220
-	-	474,806	474,956	150
(2,597)	-	-	-	(2,597)
1	1*	-	-	-
282,843	-	291,577	10,587	1,853
56,742	-	229,065	177,821	5,498
-	-	122,960	122,960	-
67,633	-	266,346	198,713	-
<u>\$ 1,026,780</u>	<u>\$ 1</u>	<u>\$ 4,490,078</u>	<u>\$ 4,279,026</u>	<u>\$ 815,727</u>

Additional Information



Interurban Transit Partnership

Demand Response Operating Statement (Unaudited)

<i>Year ended September 30,</i>	2004	2003
Revenues		
Passenger fares	\$ 572,362	\$ 576,734
Federal, state and local operating assistance	4,475,749	4,826,667
Recovery of capital costs of contracting and ADA related	225,000	225,000
Specialized service assistance	429,974	428,852
Total revenues	5,703,085	6,057,253
Expenses		
Administration	329,538	396,132
Purchased service:		
Go! Bus	2,730,405	2,956,933
CMH	1,947,506	1,989,188
SHP	13,255	35,850
GAP	7,720	16,032
Project Zero (Goodwill Industries)	19,687	9,266
Capital cost of contracting and ADA related	225,000	225,000
Specialized service cost	429,974	428,852
Total expenses	5,703,085	6,057,253
Excess of Revenues Over Expenses	\$ -	\$ -

**Report on Internal Control Over
Financial Reporting and on Compliance
and Other Matters Based on an
Audit of Financial Statements
Performed in Accordance With
Government Auditing Standards**



Independent Auditors' Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

We have audited the financial statements of Interurban Transit Partnership as of and for the year ended September 30, 2004, and have issued our report thereon dated December 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Interurban Transit Partnership's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interurban Transit Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We note certain matters that we report to management of ITP in a separate letter dated December 9, 2004.

This report is intended solely for the information of the Board, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

BDO Seidman, LLP

Grand Rapids, Michigan
December 9, 2004

**Report on Compliance With
Requirements Applicable to Each
Major Program and Internal Control
Over Compliance in Accordance
With OMB Circular A-133**



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Accountants and Consultants

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Independent Auditors' Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

Compliance

We have audited the compliance of Interurban Transit Partnership with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2004. Interurban Transit Partnership's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Interurban Transit Partnership's management. Our responsibility is to express an opinion on Interurban Transit Partnership's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Interurban Transit Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Interurban Transit Partnership's compliance with those requirements.

In our opinion, Interurban Transit Partnership complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

The management of Interurban Transit Partnership is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Interurban Transit Partnership's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

BDO Seidman, LLP

Grand Rapids, Michigan
December 9, 2004

Interurban Transit Partnership

Schedule of Findings and Questioned Costs Year Ended September 30, 2004

Summary of Auditors' Results

The auditors' report expresses an unqualified opinion on the financial statements of Interurban Transit Partnership.

The audit did not disclose any noncompliance which is material to the financial statements of Interurban Transit Partnership.

The auditors' report on compliance for major programs of Interurban Transit Partnership expresses an unqualified opinion.

The audit did not disclose any findings relative to major programs that are required to be reported herein in accordance with OMB Circular A-133.

The Authority had one major program: Transit Capital Grants Cluster, which consists of federal transit capital improvement grants and capital and operating assistance formula grants.

The dollar threshold used to distinguish between Type A and Type B programs was \$464,800.

Interurban Transit Partnership qualified as a low-risk auditee.

Findings Related to the Financial Statements

There were no findings which are required to be reported under *Government Auditing Standards*.

Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.